

**Section 10 - Required Supplementary Stewardship Information**

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The stewardship objective of Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

Stewardship resources involve substantial investment by the Federal Government for the benefit of the Nation. Costs of stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and are included as required supplementary stewardship reporting to highlight for the user their long-term-benefit nature and to demonstrate accountability over them. Depending on the nature of the resources, stewardship reporting could consist of financial or non-financial data.

To achieve the objectives of required supplementary stewardship information (RSSI) reporting, resources and responsibilities for which the Federal Government is accountable have been

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<sup>6</sup> The Board eliminated the use of RSSI to report information about weapons systems when it issued SFFAS 23, *“Eliminating the Category National Defense Property, Plant, and Equipment.”* Additionally, SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, eliminated the use of RSSI for reporting stewardship responsibilities. Classification of other items of information currently designated RSSI may be dealt with in one or more future standards.

categorized into three distinct groups and measures of accountability established for each. The three major groups are as follows:

- Stewardship Property, Plant and Equipment (PP&E)
- Stewardship Investments
- Stewardship Responsibilities

Reporting requirements for financial and non-financial data have been defined so that the unique characteristics of stewardship can be displayed. Entities should make the determination of how best to apply the stewardship standards based on a thorough analysis of their individual entity, including its mission, financial practices, and the impact of its mission and operations on financial report users and on the Nation. All entity determinations of the applicability of stewardship standards should be thoroughly documented.

Information on stewardship definitions, measurement, minimum reporting and implementation guidance can be found in SFFAS Nos. 5, 6, 8, 11, 14, 16, and 17.

## **10.2 Stewardship Property, Plant and Equipment**

Stewardship PP&E consists of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Yet, the Federal Government should be able to demonstrate accountability over these assets by reporting on their existence and condition. Stewardship PP&E includes:

- Heritage assets, such as Federal monuments and memorials and historically or culturally significant property.
- Stewardship land, e.g., land not acquired for or in connection with general PP&E.

### **10.2A Heritage Assets**

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No amount shall be shown on the balance sheet of Federal financial statements for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets shall be capitalized as general PP&E and depreciated, with required supplementary stewardship information providing the physical quantity information for the multi-use heritage assets. The costs of acquiring, constructing, improving, reconstructing, or

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renovating heritage assets, other than multi-use, shall be considered an expense in the period incurred when determining the net cost of operations.

## **10.2B Stewardship Land**

Stewardship land is land [and land rights] not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. These assets shall be reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount shall be shown on the balance sheet of Federal financial statements for stewardship land. The acquisition cost of stewardship land shall be considered an expense in the period acquired when determining the net cost of operations.

## **10.2C Summary of Minimum Stewardship Reporting Requirements**

The following table summarizes the minimum stewardship reporting required for heritage assets, and stewardship land.

INFORMATION REPORTED	HERITAGE ASSETS	STEWARDSHIP LAND
1. Description of Assets	Describe each major category: 1. Collectible 2. Noncollectible	Describe, by principal organization, significant holdings by category of major use.
2. Description of acquisitions and withdrawals	Describe methods of acquisition and withdrawal.	Describe methods of acquisition and withdrawal.
3. Accounting for physical items or dollars	Account for physical units by major category:  Beginning Balance Additions Withdrawals Ending Balance	Account for physical units by major category:  Beginning Balance Additions Withdrawals Ending Balance
4. Condition description <sup>7</sup>	Describe overall condition. <sup>8</sup>	Describe overall condition.

<sup>7</sup> See SFFAS 6, paragraph 78 (footnote 58) for guidance on Management's authority in determining the level of condition.

<sup>8</sup> Condition information may be reported with the deferred maintenance information in RSI. Entities should reference the condition and deferred maintenance information if reported elsewhere in the report.

5. Deferred Maintenance	Reference information on deferred maintenance included elsewhere in the report, if required.	Reference information on deferred maintenance included elsewhere in the report, if required.
6. Presentation of financial information	Reference principal statements for financial information on multi-use heritage assets.	Not applicable.

### **10.3 Stewardship Investments**

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments should be measured in terms of expenses incurred for: (1) federally-financed but not federally-owned physical property (Non-federal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally-financed research and development (Research and Development).

#### **10.3A Non-Federal Physical Property**

Non-Federal physical property investments are expenses included in the calculation of net cost incurred by the reporting entity for the purchase, construction or major renovation of physical property owned by state and local governments. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the nature of the investment.

#### **10.3B Human Capital**

Human capital investments are expenses included in net cost for education and training programs that are intended to: (1) increase or maintain national economic productive capacity, and that (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. The definition excludes education and training expenses for Federal civilian and military personnel. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

### **10.3C Research and Development**

Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Reporting will include data, in nominal dollars, on investment for the year being reported upon and the preceding four years. Additional years' data may also be reported if such data would provide a better indication of the investment.

Continued categorization of research and development expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program. SFFAS No. 8 describes the criteria which shall be met for these expenses to continue to be categorized as stewardship investments. Outcome and output measures that are used to justify continued treatment of expenses as stewardship investments should be clearly identified in the agency's financial statement, and the relationship of the outcomes and outputs to the stewardship investments should be readily apparent.

**10.3D Summary of Minimum Reporting Requirements**

The following table summarizes the minimum reporting required for non-Federal property, human capital, and research and development.

INFORMATION REPORTED	NON-FEDERAL PROPERTY	HUMAN CAPITAL	RESEARCH AND DEVELOPMENT
1. Annual investment by category or level*	Include full cost of the investment made for the current year, including description of Federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for the current year and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for The current year and The preceding 4 years. Report additional years of data if it provides a better indication of investment.
2. Description of major programs	Describe major programs involving Federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.	Describe major education and training programs considered Federal investments.	Describe major research and development programs.

\* In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense nor outlay data are available for each of the five years, entities need report expense data for only the current reporting year and such other years as available. At the end of five years, however, the agency will be able to report the expenses, to be categorized as investments, for each of the preceding five years.

## **10.4 Stewardship Responsibilities<sup>9</sup>**

Reporting on stewardship responsibilities aids in assessing the Federal Government's financial condition and the sufficiency of future budgetary resources to sustain public services and meet obligations as they become due. Stewardship responsibilities at the entity-level have been identified, and reporting requirements are addressed below, for Social Insurance.

Supplementary stewardship information for social insurance programs is to be reported to address fundamental questions about the current and future financial condition of these programs. These fundamental questions include whether the programs are sustainable as currently constructed and what effect these programs have on the overall financial condition of the government. Information required to be disclosed for social insurance programs is intended to facilitate an assessment of the long-term sustainability of the program as well as the ability of the program to raise resources from future program participants to pay for benefits to present participants.

Disclosure requirements for social insurance programs are discussed in summary below. Financial statement preparers and auditors should refer to SFFAS No. 17 for a more detailed discussion.

Programs defined as social insurance consist of:

- Old-Age, Survivors, and Disability Insurance (OASDI or Social Security);
- Hospital Insurance (HI) and Supplementary Medical Insurance (SMI), collectively known as Medicare;
- Railroad Retirement benefits;
- Black Lung benefits; and
- Unemployment Insurance (UI).

The RSSI information provided for each of these programs should include the following financial and actuarial disclosures:

- Long-range cashflow projections
- Long-range projections of the ratio of contributors to beneficiaries (dependency ratio)

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<sup>9</sup> Under SFFAS 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS 26, Presentation of Significant Assumptions for the Statement of Social Insurance, the Statement of Social Insurance (SOSI), including accompanying notes and significant assumptions will become basic information, while the remaining information about Social Insurance required by SFFAS 17 will be reported as RSI. SFFAS 28 defers for one year the effective dates of SFFAS 25 and SFFAS 26. The provisions of this standard will be effective for periods beginning after September 30, 2005.

- Actuarial present value of future benefits, and future contributions and tax income for/from current and future beneficiaries
- Sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values
- State-by-state solvency analysis for the UI program

The actuarial present value of future benefit payments, contributions and tax income for current and future participants should be summarized in a Statement of Social Insurance. The Statement of Social Insurance should cover a five-year period beginning with the current period covered in the financial statements. Financial and actuarial disclosures should be accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data. Management may provide any additional information pertaining to the financial conditions of its program that it believes may be useful and appropriate. Additional information on definitions, measurement, minimum reporting and implementation guidance, as well as illustrative disclosure formats, can be found in SFFAS No. 17.